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1991 AMA Canadian Survey on The Pulse of the Customer

A Research Report published exclusively for Canadian members of the American Management Association

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"Buy Cheap and Sell Dear"

For centuries, that instruction has defined the way to success in a market economy. Profits were mined in the margins between the price paid for materials and labor and the price charged for finished products. For customers, price was not only the key differentiator; it was very nearly the only one that mattered.

By no means has price lost its preeminence in the customer's decision to buy; all else being equal, the lower price will still prevail. But today's customers are increasingly aware that all else is rarely equal. Whether retail consumers or industrial purchasers, their calculations now include a variety of key service issues.

To be competitive on these issues, companies must gauge the importance of service to their customer base. They must seek out the most effective means to discover and anticipate customer needs, and to measure customer satisfaction. Most importantly, they must determine which factors matter **most** to their customers, and how best to improve corporate performance in each area.

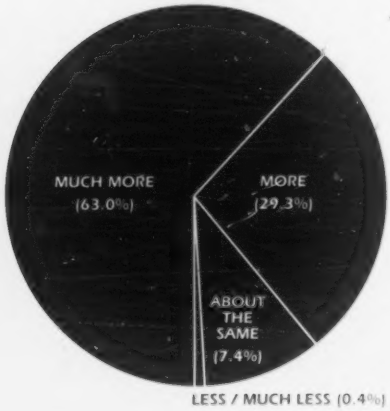
In its 1991 survey on "The Pulse of the Customer," AMA research asked more than 1,300 sales and marketing managers in the U.S. and Canada these questions:

- What external pressures have compelled companies to give more attention to customer service?
- What are the most effective methods to gauge customer needs and satisfaction?
- What factors most influence their customers' decisions to buy, and where can the organization best improve its performance?

This special report for Canadian members of the American Management Association offers the answers provided by nearly 300 Canadian managers, and, where appropriate, compares their responses with those from U.S. companies.

Summary of Key Findings

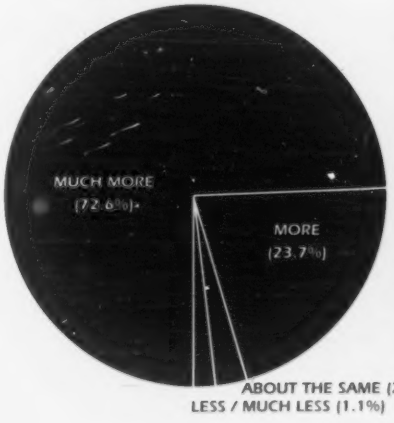
IS SERVICE MORE OR LESS IMPORTANT?



◀ Nine out of ten Canadian respondents agree that service issues are more important today than they were as recently as two years ago; only one respondent said they are less important.

And the trend will continue: 95% say that service will be more important in the coming two years. ▶

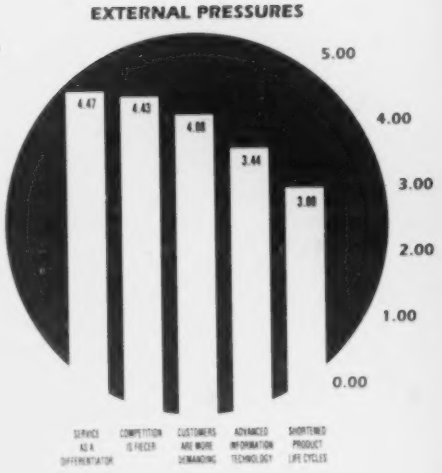
WILL SERVICE BE MORE OR LESS IMPORTANT?



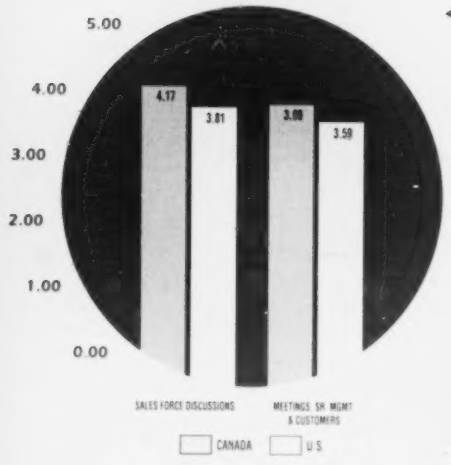
External Pressures: The most important element in the burgeoning importance of service issues is that service itself has become more important as a differentiator in the customer's decision to buy. On a scale where factors of the highest importance rated a five and those of least importance a one, "service as a differentiator" averaged a 4.47 mark among Canadian respondents — a very high level of consensus.

Responses from U.S. businesses averaged within a decimal point of Canadian marks. Canadian managers gave slightly higher scores to these factors:

- More competition in the marketplace (Canadian average, 4.42; U.S. average, 4.35).
- Product and service life cycles are shorter (Canadian average, 3.00; U.S. average, 2.86).
- Development of advanced information technology (Canadian average, 3.44; U.S. average, 3.37).



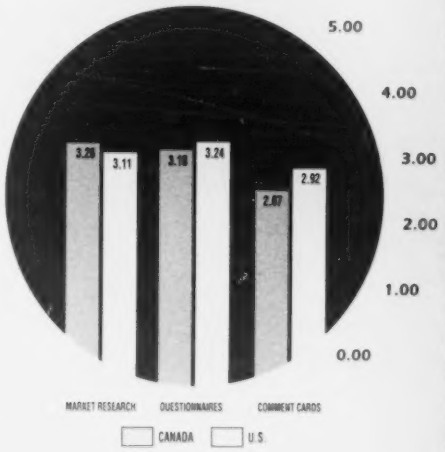
GAUGING CUSTOMER NEEDS: EFFECTIVE MEANS



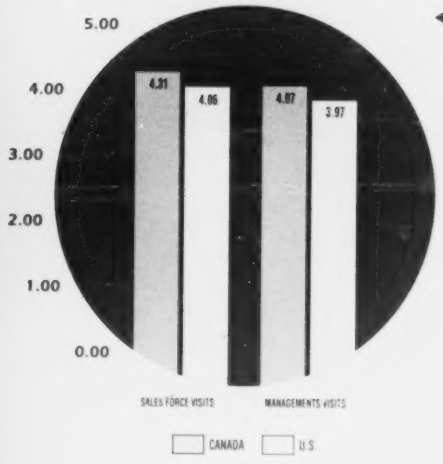
Anticipating Customer Needs: Two-way communication — regular meetings between customers and senior management, and regular discussions with the sales force — far outscores other methods to discover and anticipate customer needs on a five-point scale. Canadian managers were especially emphatic in this regard.

Manufacturing concerns in Canada rated face-to-face meetings more highly than did service providers, who in turn gave higher marks to quantitative methods such as customer questionnaires, comment cards and service assessment forms, and market research.

GAUGING CUSTOMER NEEDS: LESS EFFECTIVE



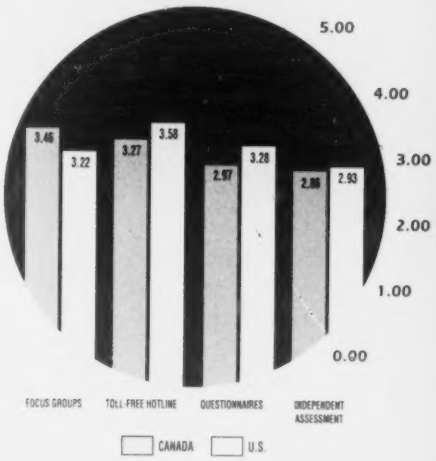
GAUGING CUSTOMER SATISFACTION: EFFECTIVE MEANS

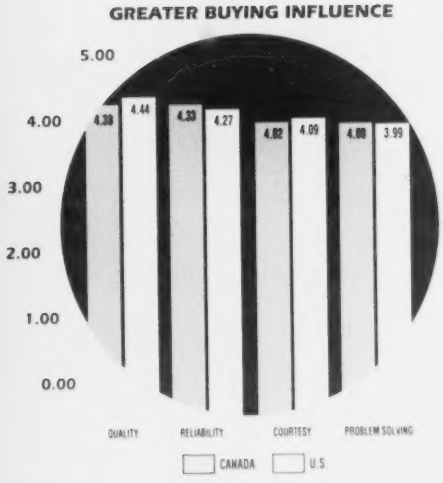


Measuring Customer Satisfaction: Again, Canadian respondents find face-to-face meetings most effective in gauging customer satisfaction, and grant them higher scores than their American confreres.

Focus groups, which score lower on the five-point scale, are formalized question-and-answer sessions rather than give-and-take discussions. Assessments by independent sources pose the same problem: who speaks for the company?

GAUGING CUSTOMER SATISFACTION: LESS EFFECTIVE

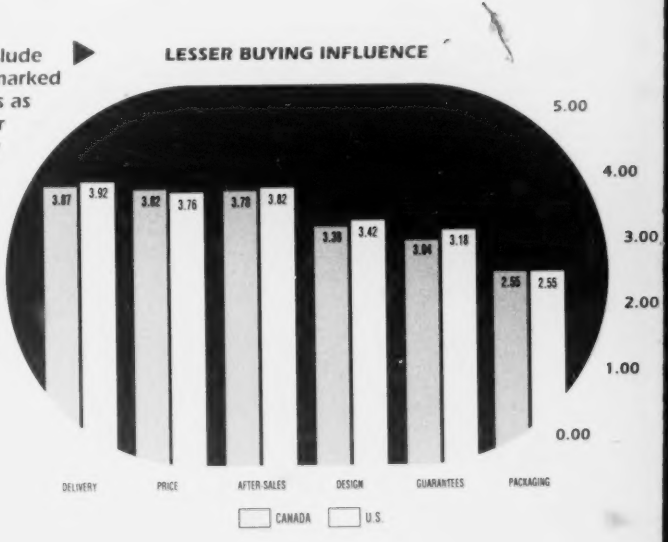




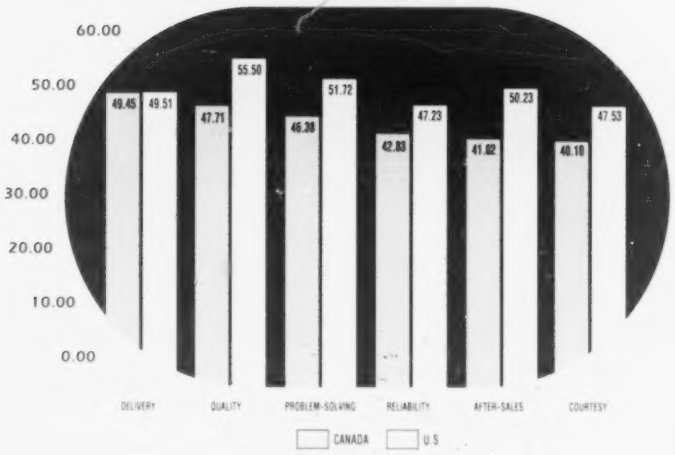
Buying Influence: Price ranked **seventh** among the ten listed factors that influence the buyer's decision, as rated by all respondents; it ranked sixth, slightly ahead of "after-sales service," among Canadian managers. Price mattered most to customers in wholesale and retail operations, least to purchasers of business and professional services.

Canadian and U.S. responses were virtually identical.

These averages exclude respondents who marked one or more factors as "not relevant to our business." The low scores for design and for packaging come largely from manufacturers who find service issues more influential in the customer's decision to buy.



SERVICE PRIORITY INDEX—TOP SCORES

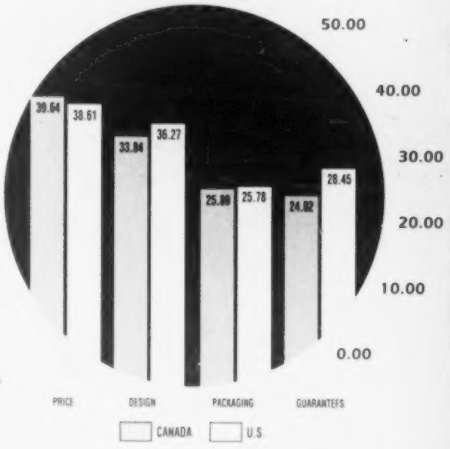


The Service Priority Index: The index combines responses to the query on buying influence with those to a matched query that asked, "Where is there most room for improvement in your organization?" The result is measured on a 100-point scale: high marks indicate that a given factor both highly influences the buy decision and allows significant room for improvement in the respondent organization.

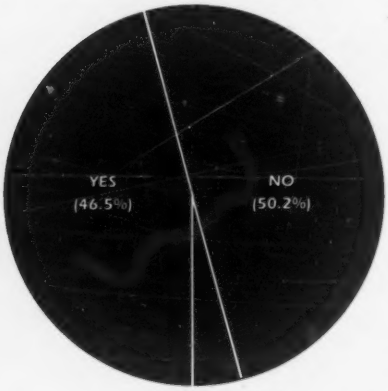
Canadian respondents saw less room for improvement than American managers in eight of the ten listed factors, accounting for lower ratings. The exceptions: price and speed of delivery, where Canadians, by very narrow margins, felt they had greater room for improvement.

Most respondents saw small hope of improving their competitive positions through pricing changes. Increasingly, service is the arena in which competitive battles are fought.

SERVICE PRIORITY INDEX–LOW SCORES



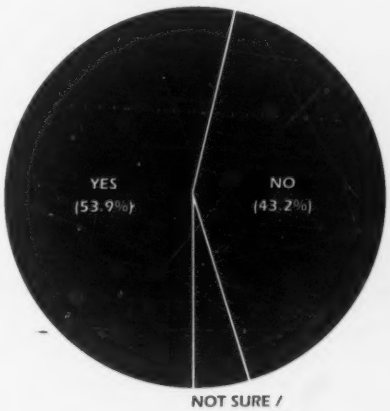
REGULAR REPORTS ON CUSTOMER SATISFACTION



Despite the evident importance of service issues, fewer than half the Canadian firms issue regular reports and analyses on customer satisfaction, although they beat the U.S. mark by a narrow margin (47% of Canadian respondents, compared with to 43% of U.S. respondents).

But over half the Canadian firms feature quantified performance standards on key service issues. Canadian manufacturers outscore service providers in this area, 57% to 50% — the reverse of the U.S. finding, where 57% of service firms answered positively, compared with 51% of manufacturers.

QUANTIFIED PERFORMANCE STANDARDS



"The basic difference between a salesman and a hustler," a streetwise philosopher once said, "is that a hustler is only interested in this sale, while a salesman has his eye on the **next** sale."

Price continues to be a key factor in **this** sale, but increasingly, customer service issues determine whether there will be a next sale. Survey findings give hard evidence that service has become the true competitive battlefield.

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About this Survey

This "Pulse of the Customer" survey follows AMA's 1989-90 international survey on customer service, which provided the basis for the recently published AMA Research Report, **Service: The New Competitive Edge** (Report #3525, 88 pp., $22.50 for AMA members, $24.95 for nonmembers). Information regarding the purchase of **Service: The New Competitive Edge** may be obtained from AMA's book order hotline, 518/891-5510.

The questionnaire for the present survey was an edited and revised version of the questionnaire AMA distributed to managers in Western Europe, North America, and Japan for **Service: The New Competitive Edge.** The original was devised for AMA's Management Centre-Europe by John Humble & Co., Ltd., Jordans, Beaconsfiled, Bucks, United Kingdom.

The 1991 "Pulse of the Customer" questionnaire was mailed on May 24, 1991 to 8,500 sales and marketing managers in the U.S. who are AMA members or who work in AMA member companies. By June 21 AMA research had received 1,073 usable responses, a return rate of 13.3%.

The same questionnaire was mailed on June 14 to 2,460 sales and marketing managers in Canadian concerns. By August 1 we had received 271 usable responses, a return rate of 11.0%.

The samples present the following statistical profiles:

Industry Classification	Canada	U.S.
■ Manufacturing	54.6%	46.7%
■ Transportation, Communications, & Utilities	5.2%	11.4%
■ Wholesale & Retail Trade	5.5%	8.3%
■ Finance, Insurance, and Real Estate	5.5%	7.7%
■ Other Services	28.4%	24.7%
■ Unclassified and Unclassifiable Establishments	0.7%	1.3%

Annual Sales*		
■ Under $10 million	19.9%	25.8%
■ $10-$49 million	30.3%	26.8%
■ $50-$499 million	33.2%	27.1%
■ $500 million or more	14.0%	11.3%
■ Not Reported	2.6%	9.0%

*or operating budget, for nonprofit organizations.